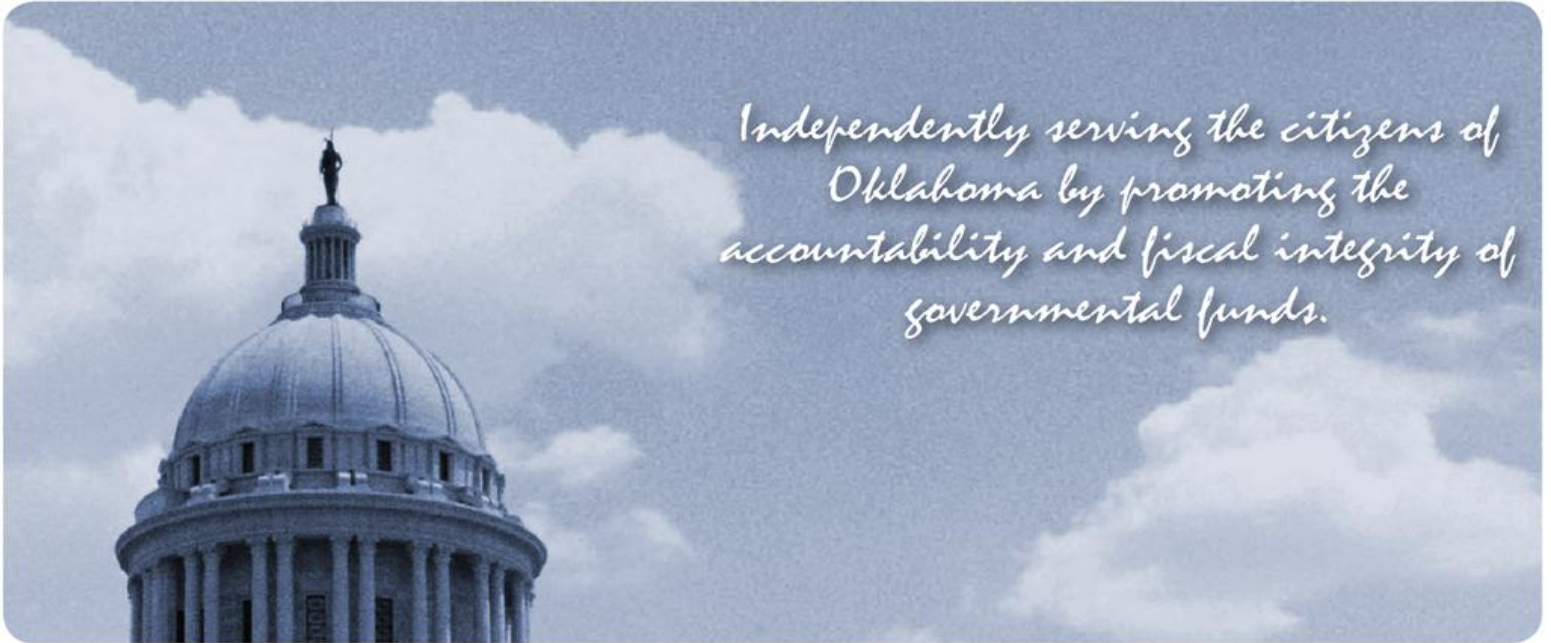


STATUTORY AUDIT

# CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2014



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 15, 2015

**TO THE BOARD OF DIRECTORS OF THE  
CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Canton-Longdale Emergency Medical Service District for the fiscal year ended June 30, 2014.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written over a horizontal line.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014.**

	<u>FY 2014</u>
Beginning Cash Balance, July 1	<u>\$ 161,765</u>
Collections	
Ad Valorem Tax	108,603
Charges for Services	62,937
Interest	357
Dividends	122
Donations	1,600
Insurance Reimbursements	16,122
Total Collections	<u>189,741</u>
Disbursements	
Personal Services	64,024
Travel	635
Maintenance and Operations	47,859
Capital Outlay	-
Audit Expense	2,938
Total Disbursements	<u>115,456</u>
Ending Cash Balance, June 30	<u>\$ 236,050</u>

*Source: District Estimate of Needs (presented for informational purposes)*



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Canton-Longdale Emergency Medical Service District  
PO Box 39  
Canton, Oklahoma 73724

## **TO THE BOARD OF DIRECTORS OF THE CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1, and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Canton-Longdale Emergency Medical Service District.

Our emergency medical service district statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of the Canton-Longdale Emergency Medical Service District.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the Canton-Longdale Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 15, 2015

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Segregation of Duties Over the Revenue Process (Repeat Finding)**

**Condition:** Based on discussion with District staff and observation of billing records we determined the District does not have adequate segregation of duties or mitigating controls in place with regard to the revenue process:

- One individual is responsible for all aspects of billing, receiving monies, crediting patient accounts, depositing monies, reconciling the bank statement, and preparing financial statements.

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties of receiving and depositing funds. Additionally, internal controls over monitoring the process in order to mitigate inadequate segregation of duties have not been implemented.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:**

**Chairman of the Board:** All business operations, deposits, purchases, claims and payments are reviewed by the Board monthly. All checks are not signed by the Office Manager or the Director. They are reviewed and signed by two Board members. All bank statements are signed by all Board members at the monthly business meeting.

**Auditor Response:** We recommend the Board members initial and date the deposit slip as evidence of review of monthly revenue received. Additionally, the review of patient accounts by the Board at the monthly meetings, should be evidenced by the initials and date of review of the Board member(s) conducting the review.

**Criteria:** To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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**Finding 2014-2 – Inadequate Internal Controls Over Disbursements (Repeat Finding)**

**Condition:** Based on discussion with District staff and observation of 25 randomly selected disbursements, we noted the following weaknesses with regard to the disbursement process:

- One individual, the Office Manager, is responsible for ordering and receiving goods, inputting data, printing and distributing the checks, and reconciling the bank statement.
- There is no independent verification for the disbursement of District funds for expenditures.
- The District has not developed procedures for independent verification of goods/services received.

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties over the disbursement process. Additionally, internal controls have not been designed and implemented to provide independent verification of goods and services purchased for the District.

**Effect of Condition:** A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the district and having management review and approval of accounting functions.

**Management Response:**

**Chairman of the Board:** The District Board feels the policy and procedures we have established are adequate and the Boards' oversight at all monthly meetings provide the control and security necessary for our daily operations. The Director is involved in all inventory replenishment, the ordering, and assuring the shipments match the packing slips. Disbursement checks cannot be issued without the Board viewing and signing the checks.

**Auditor Response:** We recommend that evidence of the inventory replenishment, the ordering, and assuring the shipments match the packing slips be monitored with a review by another individual. The evidence would include the initials and date of the Board member(s) or the Director that are conducting the review in order to document monitoring of the process.

**Criteria:** Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed



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to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 2014-3 - Inadequate Internal Controls and Incurrence of Debt Using Credit Cards**

**Condition:** Based on discussion with District staff and observation of records, we noted the District utilized a credit card for travel, training, software updates, some office supplies, uniforms and other incidental purchases. The District was issued one credit card that is maintained at the District office. There were four credit card statements in the audit period totaling \$1,948.75. We reviewed all activity and noted the following weaknesses in the use of the credit cards:

- The District is not authorized to acquire credit cards.
- There was no evidence that the credit card statements were approved by the Director or a Board member.

**Cause of Condition:** In order to purchase items and to reduce the need to reimburse the employees, the District has acquired a credit card.

**Effect of Condition:** This condition could result in unauthorized or improper purchases. The use of credit cards also increases the risk of improper purchases going undetected.

**Recommendation:** OSAI recommends that the District refrain from using credit cards that are not authorized. We further recommend the District obtain statutorily approved fuel cards or a p-card through state contract.

**Management Response:**

**Chairman of the Board:** The District Board authorized obtaining and use of a credit card years ago. There are computer programs that can only be updated using the internet which necessitates having a card for online purchases. Routine office supplies are purchased with the credit card, which negates an employee using their own funds to purchase supplies and then being reimbursed. Annually, employees attend a conference. The lodging, meals, and uniform shirts are placed on the card at the approval of the Director. Fuel is purchased locally and presented to the Board with an invoice and check for payment at each monthly meeting. P-cards do not seem to be a viable alternative as they are primarily for designated state employees.

**Auditor Response:** We recommend the Board and the Director discontinue the use of an unauthorized credit card. We further recommend the District obtain a fuel card as authorized on the state-wide contract and review policies and procedures regarding the use of a state authorized p-card for the purchase of goods and services. State statutes do allow political subdivisions to utilize a state p-card.

**Criteria:** Effective internal controls require that management establish policies and procedures that detect and prevent unauthorized transactions. Furthermore, the EMS District is not authorized to utilize credit cards.

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**Finding 2014-4 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)**

**Condition:** Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit budget account.

It was further noted that the District has not carried forward the balance into the audit account each fiscal year. As a result, the District's balance in the audit budget account as of June 30, 2014 was \$3,462.19. However, the correct balance should have been \$7,094.37.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the audit budget account is accurately budgeted in accordance with statutory requirements.

**Effect of Condition:** This condition resulted in noncompliance with state statute.

**Recommendation:** OSAI recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit account and that any unused portion be carried forward into the next year audit account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The accounting firm used to prepare the Estimate of Needs for the District presented to the Blaine County Treasurer will be notified of this requirement.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Further, according to 19 O.S. §1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

**Finding 2014-5 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the payroll process, and a test of one payroll period which included six timesheets, the following internal control weakness was determined:

- All timesheets lacked a documented supervisor review.

**Cause of Condition:** Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll expenditures are properly recorded in the accounting records.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the District establish internal controls to provide reasonable assurance for the accurate and complete presentation of payroll expenditures in the financial records of the District. Timesheets should be approved by the Director or one of the Board members prior to distributing payroll checks.

**Management Response:**

**Chairman of the Board:** The Director and Office Manager work together on reconciling all timesheets for the monthly payroll period of the employees. Each employee is required to fill out their timesheet, sign it and submit it to the office. The Office Manager reconciles all the hours that can be worked according to the length of that particular month in days, each and every run that each employee worked, and prints the payroll check for the Board approval and signatures. The Director will initial each time sheet at submission.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval. Effective internal controls include key functions within a process be adequately segregated and monitored to allow for prevention and detection of errors and abuse.



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